

REFERENCE TITLE: treasury monies; investment

State of Arizona  
Senate  
Forty-seventh Legislature  
Second Regular Session  
2006

## **SB 1246**

Introduced by  
Senators Blendu, Cannell, Flake, Huppenthal

AN ACT

AMENDING SECTION 35-313, ARIZONA REVISED STATUTES; RELATING TO THE STATE TREASURER.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:  
2       Section 1. Section 35-313, Arizona Revised Statutes, is amended to  
3 read:

4           35-313. Investment of trust and treasury monies; loan of  
5           securities

6       A. The state treasurer shall invest and reinvest trust and treasury  
7 monies in any of the following items:

8           1. Obligations issued or guaranteed by the United States or any of its  
9 agencies, sponsored agencies, corporations, sponsored corporations or  
10 instrumentalities.

11          2. Collateralized repurchase agreements purchased from securities  
12 dealers that make markets in those securities listed in paragraph 1 **OF THIS**  
**SUBSECTION.**

13          3. Bonds or other evidences of indebtedness of this state or any of  
14 the counties or incorporated cities, towns or duly organized school  
15 districts.

16          4. Commercial paper whose issuer is rated in one of the two highest  
17 rating categories for short-term obligations by any two nationally recognized  
18 statistical rating organizations.

19          5. Bills of exchange or time drafts known as bankers acceptances which  
20 are drawn on and accepted by a commercial bank.

21          6. Negotiable certificates of deposit issued by a nationally or state  
22 chartered bank or savings and loan association.

23          7. Bonds, debentures, notes or other evidences of indebtedness which  
24 are issued by entities organized and doing business in the United States and  
25 which carry as a minimum one of the Baa ratings of Moody's investors service  
26 or one of the BBB ratings of Standard and Poor's rating service or their  
27 successors.

28          8. Securities of or any other interests in any open-end or closed-end  
29 management type investment company or investment trust registered under the  
30 investment company act of 1940 (54 Stat. 789; 15 United States Code sections  
31 80a-1 through 80a-64), as amended, if both of the following apply:

32           (a) The investment company or investment trust takes delivery of the  
33 collateral for any repurchase agreement either directly or through an  
34 authorized custodian.

35           (b) The investment policy of the investment company or investment  
36 trust ~~includes seeking to maintain a constant share price~~ RESTRICTS  
37 ~~INVESTMENTS TO THOSE THAT ARE IN COMPLIANCE WITH THE CONSTITUTION AND LAWS OF~~  
38 ~~THIS STATE AND THE INVESTMENT POLICY OF THE STATE TREASURER.~~

39          9. Certificates of deferred property taxes as provided by section  
40 42-17309.

41          10. Treasurer's warrant notes issued pursuant to section 35-185.01 or  
42 registered warrants of a county issued pursuant to section 11-605, if the  
43 yield is equal to or greater than yields on eligible investment instruments  
44 of comparable maturities.

1       11. Shares in the treasurer's local government investment pools  
2 ~~provided that investment policies of the pool seek to maintain a constant~~  
3 ~~share price.~~

4       12. Subject to subsection D of this section, state transportation board  
5 funding obligations delivered pursuant to section 28-7678.

6           B. In case of default or failure to honor a county treasurer's  
7 warrant, the state treasurer may withhold the first state shared revenues  
8 that would otherwise be distributed to the defaulting county in the amount  
9 necessary to honor the note including accrued interest to and beyond the date  
10 of default.

11          C. The state treasurer may contract to loan securities owned by the  
12 trust funds and operating monies deposited in the investment pools pursuant  
13 to section 35-316, subsection B to the financial or dealer community through  
14 one or more of the entities listed in section 35-317, subsection A, or  
15 authorized by the board of investment pursuant to section 35-311, subsection  
16 E, if the borrower transfers collateral to the state treasurer or acting  
17 agent of the state in the form of cash or securities specified in subsection  
18 A of this section. Collateral posted in the form of cash shall be in an  
19 amount equal to at least one hundred per cent of the market value of the  
20 loaned securities as agreed. Collateral posted in the form of securities  
21 shall be in an amount of no more than one hundred ten per cent of the market  
22 value of the loaned securities as established from time to time by the board  
23 of investment. The loaned securities shall be valued as to market value  
24 daily, and, if necessary, the borrower shall post additional collateral, as  
25 agreed, to ensure that the required margin is maintained. The state  
26 treasurer may collect from the borrower all dividends, interest, premiums,  
27 rights and other distributions to which the lender of securities would  
28 otherwise be entitled. The state treasurer may terminate the contract on not  
29 less than five business days' notice, as agreed, and the borrower may  
30 terminate the contract on not less than two business days' notice, as agreed.

31          D. The state treasurer shall invest operating monies in state  
32 transportation board funding obligations delivered pursuant to section  
33 28-7678 pursuant to the following:

34           1. The state treasurer shall liquidate investments of operating monies  
35 if necessary in order to invest in state transportation board funding  
36 obligations, except that if operating monies in the state general fund fall  
37 below an eight hundred million dollar average over the previous twelve  
38 consecutive months, the state treasurer is not required to purchase state  
39 transportation board funding obligations pursuant to this subsection.

40           2. Each series of state transportation board funding obligations shall  
41 bear interest at a fixed interest rate equal to the mean bid-ask price of the  
42 United States treasury obligation with a maturity date closest to the  
43 maturity date of the state transportation board funding obligation as  
44 published most recently in the Wall Street Journal before the date the state  
45 treasurer receives a certificate from the state transportation board that

1 states the board's determination to deliver an obligation to the state  
2 treasurer and the anticipated delivery date of the obligation. The delivery  
3 date shall be between fifteen and sixty days after the day the state  
4 treasurer receives the certificate.

5       3. The state treasurer shall provide written notice to the state  
6 transportation board and the director of the department of transportation  
7 when the operating monies fall below four hundred million dollars. If  
8 operating monies fall below two hundred million dollars, the state treasurer  
9 may call the investment in the state transportation board funding obligations  
10 in twenty-five million dollar increments up to the amount that the operating  
11 monies are below two hundred million dollars. The state treasurer shall give  
12 the state transportation board and the director of the department of  
13 transportation at least fifteen days' notice of the call.

14       Sec. 2. Emergency

15       This act is an emergency measure that is necessary to preserve the  
16 public peace, health or safety and is operative immediately as provided by  
17 law.